

Jan. 1959

AUDIT OF CENTRAL INTELLIGENCE AGENCY
BY GENERAL ACCOUNTING OFFICE

Central Intelligence Agency is under the direction of the National Security Council, which was established by the National Security Act of 1947, Public Law 253, 80th Congress. Public Law 110, 81st Congress, referred to as "Central Intelligence Agency Act of 1949," provides for the administration of the Central Intelligence Agency.

Sources of funds

Section 6 of the Central Intelligence Agency Act of 1949 states in part:

"In the performance of its functions, the Central Intelligence Agency is authorized to - (a) Transfer to and receive from other Government agencies such sums as may be approved by the Bureau of the Budget, for the performance of any of the functions or activities authorized under sections 102 and 303 of the National Security Act of 1947 (Public Law 253, Eightieth Congress), and any other Government agency is authorized to transfer to or receive from the Agency such sums without regards to any provisions of law limiting or prohibiting transfers between appropriations.

"Sums transferred to the Agency in accordance with this paragraph may be expended for the purposes and under the authority of this act without regard to limitations from which transferred ***."

Section 10(a) of the act states that:

"Notwithstanding any other provisions of law, sums made available to the Agency by appropriation or otherwise may be expended for purposes necessary to carry out its functions ***."

Funds are transferred under the above provisions of law to the Central Intelligence Agency from appropriations to various agencies in the Federal Government as approved by the Bureau of the Budget.

In addition to the sources of funds under the above authority, moneys for the purpose of construction are made available by congressional appropriations

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directly to CIA. These funds are handled in the same manner as appropriations by Congress to Government agencies.

The administrative and fiscal operations of the National Security Council are delegated by the Executive Secretary of the Council to various officials of the Central Intelligence Agency.

Accounting procedures

The budget and accounting regulations issued by the Agency set forth the system of administrative controls and comply with Budget-Treasury Regulation No. 1, issued by the Bureau of the Budget and the Treasury Department, September 1950. The accounts are maintained by the Agency by the use of a conventional allotment ledger system; however, an accounting manual relating to a new system for National Security Council is in process of approval by Civil Accounting and Auditing Division of GAO. This system will be adapted for use at Central Intelligence Agency.

Scope of audit

Site audit of the expenditures of CIA was provided by letter to Director, Central Intelligence Group (B-59998) dated August 28, 1946, as supplemented by letter dated April 1, 1947. (See also Agency's confidential letters to the Comptroller General dated August 15, 1946 and March 27, 1947.) Following enactment of Public Law 110, the site audit was continued under a letter to Director, Central Intelligence Agency dated June 29, 1951.

For the past several years the Civil Accounting and Auditing Division has had two auditors assigned to the site to perform audit work. Vouchered expenditures of the Agency are audited on a selective basis after reviews of administrative policies and procedures and evaluations of their effectiveness. The audit includes expenditures which carry the certificate of the Director and payments to common carriers.

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Limitations on the audit are discussed in the succeeding section. The audit is not designed to determine how well the Agency carries out its activities, but essentially for the purpose that vouchered expenditures comply with requirements of law or Comptroller General decisions generally applicable to other Federal agencies. The Agency does try to conform to GAO and other requirements. In many instances, doubtful cases are submitted by the Agency for review by the auditors prior to payment.

Certain personnel in the General Accounting Office, other than the Director and Deputy Director of CAAD, (Mr. Keller, General Counsel; Mr. Gude and Mrs. Greggar, Transportation Division; Mr. Morse and Mr. Brown, Accounting and Auditing Policy Staff; Mr. Morris Goldstein of Claims Division) have been designated to handle specific questions that arise in the audit as they relate to their Divisions or Offices and the two auditors refer directly to them informally on these questions.

Limitations in the audit

Broad authority is vested under Section 10(b) of the Act in the Director with regard to the use of funds, as follows:

"The sums made available to the Agency may be expended without regard to the provisions of law and regulations relating to the expenditure of Government funds; and for objects of a confidential, extraordinary, or emergency nature, such expenditures to be accounted for solely on the Certificate of the Director and every such Certificate shall be deemed a sufficient voucher for the amount therein certified."

While the usual procedures are applied in making the audit, reports are not issued to anyone outside the CIA, and formal exceptions are not taken. All questionable expenditures are taken up informally with officials of the CIA, and generally corrective action is taken promptly. Although credit may not be withheld for payments considered by the auditors not to be proper, due to the provisions of law cited above, the Comptroller, CIA, that recovery action will be taken by him wherever such items are brought

to his attention.

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Audit accomplishments

Accomplishments in the site audit at CIA may be summarized briefly, as follows:

- a. Aided the CIA in perfecting its fiscal, accounting and auditing functions.
- b. Strengthened procedures for prompt taking of discounts.
- c. Assisted the Agency to revise its travel procedures to adhere strictly to the Standardized Government Travel Regulations.
- d. Improved procedures for paying carriers for shipments of household effects of persons transferred.
- e. Improved billing processes used in transactions between other Government agencies and the Agency.
- f. Improved contracting procedures in use by the Agency.

Also a more effective accounting system for National Security Council is in the process of approval by GAO. This system has been developed cooperatively with CIA, and is to be the basis for a similar system at CIA.